

**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 24 JUNE 2014 – RISK MANAGEMENT UPDATE**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 24 June 2014.*

**7. ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 23 JUNE 2014 – RISK MANAGEMENT UPDATE**

The Cabinet considered the following referral from the meeting of the Finance, Audit and Risk Committee held on 23 June 2014 in respect of a Risk Management Update (Minute 7 refers):

- “(1) That Cabinet be requested to endorse the proposed changes to the Waste and Recycling Service Top Risk into three new risks as follows:
- a. Top Risks of Northern Transfer Station and Ancillary Facilities
  - b. Top Risk of Co-mingled Waste;
  - c. That the remaining sub risk of the New Waste and Recycling Service be designated as a service risk;
- and that the overarching risk of the Waste and Recycling Service be deleted;
- (2) That the Annual Report on Risk Management as presented at Appendix B be agreed by Council.”

The Portfolio Holder for Finance and IT was supportive of the recommendations from the Finance, Audit and Risk Committee.

**RESOLVED:** That the proposed changes to the Waste and Recycling Service Top Risk into three new risks as follows be endorsed:

- (a) Top Risks of Northern Transfer Station and Ancillary Facilities;
- (b) Top Risk of Co-mingled Waste;
- (c) the remaining sub-risk of the New Waste and Recycling Service be designated as a service risk;

and that the overarching risk of the Waste and Recycling Service be deleted.

**RECOMMENDED TO COUNCIL:** That the Annual Risk Management Report for 2013/14, as set out at Appendix B to the report, be adopted.

**REASON FOR DECISION:** To comply with the requirements of the Risk and Opportunities Management Strategy.

***The following is the report considered by the Cabinet at its meeting held on 24 June 2014.***

## **TITLE OF REPORT: RISK MANAGEMENT UPDATE**

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET  
MANAGEMENT

### **1. SUMMARY**

- 1.1 To provide the Committee with an update on the management of the Strategic/Corporate risks owned by the Senior Management Team (SMT) and Cabinet.
- 1.2 To provide the Committee with an Annual Report on Risk Management for referral to Cabinet and then Council.

### **2. RECOMMENDATIONS**

- 2.1 That the Committee notes and refers the increased assessment for the risk of Managing the Council's Finances to Cabinet.
- 2.2 That the Committee notes and refers the following changes to Cabinet that the risk of Waste and Recycling has been revised:
  - to leave two existing sub-risks to form separate Top Risks of Northern Transfer Station & Ancillary Facilities and Comingled Waste;
  - the remaining sub risk of the New Waste & Recycling Service to be considered as a service risk;
  - the overarching risk of the Waste and Recycling Service to be deleted.
- 2.3 That the Payroll/System Service SMT Top Risk has a reduced impact score following the implementation of the payroll contract from 1 April with Serco.
- 2.4 That the Annual Report on Risk Management is referred to Cabinet for onward referral to Council.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of the risks referred to in Section 2.1 and 2.2 of this report is that of Cabinet.
- 3.2 SMT Top Risks are monitored by this Committee.
- 3.3 The Risk and Opportunities Management Strategy stipulates that an annual Risk management report is taken to Council

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options that are applicable.

### **5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion').Lead Officers discuss these risks with the relevant Portfolio Holder.

## 6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

## 7. BACKGROUND

- 7.1 The Finance, Audit and Risk Committee received an update report on the Top Risks at its March 2014 meeting. The Committee recommended changes in the assessment of the risks of Managing the Council's Finances and Delivery of the Outstanding Outcomes from the FSR of the Museum Service to Cabinet.
- 7.2 The Top Risks have been reviewed and particular scrutiny has been given to the assessment of the risks described in section 8 of this report. The changes and the comments made by the Lead Officers regarding the assessment of their risks have been reviewed and agreed by SMT. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2. Members are able to view the current risk descriptions on Covalent, the Council's performance and risk management software.
- 7.3 The Council's Risk and Opportunities Management Strategy describes the role of this Committee as to "oversee the effective management of risk by the Council by receiving and considering the Top Risks and risk management reports. Any changes to the Top Risks are referred to Cabinet".

## 8. AMENDMENTS TO TOP RISKS

### 8.1 Waste and Recycling Service

- 8.1.1 This Top Risk has been comprised of three sub-risks:

- Northern Transfer Station & Ancillary Facilities
- Co-mingled Waste
- The New Waste & Recycling Service

It is proposed that these risks are split out to show them individually to make the current risks more transparent. This means that the former overarching risk of the Waste & Recycling Service is no longer required.

- 8.1.2 **Northern Transfer Station and Ancillary Facilities.** As well as a longer term requirement to have a northern transfer station in the County, this risk includes the current issues posed by the lease and future contract arrangements for the site at Burymead that currently acts as a transfer station for residual waste.

- 8.1.3 **Co-mingled Waste.** This risk includes the potential challenges that could be brought under TEEP (Technically, Environmentally and Economically Practicable), which could impact on our current kerbside collection arrangements, the dependency on the current contractor for co-mingled waste and capacity at Radwell to respond to increases in recycling.

- 8.1.4 **New Waste & Recycling Service.** Following the very successful introduction of the changed kerbside waste and recycling collection, this risk is now considered a service risk rather than a Top Risk.


- 8.2 **Managing the Council's Finances.** The likelihood of this risk has been increased as the Council is at the beginning of the Corporate Business Planning Process for resolving the budget gap for 2015/16.

- 8.3 **Payroll System/Service.** Now that the new payroll service has been implemented, the Top Risk has changed focus from getting the new system in pace within a short time frame to the on-going issues with a new external service provider and system. It is anticipated that this will become a service risk rather than a Top Risk after the self-service goes live on 1 June and has “bedded in”.
- 8.4 The full risk descriptions for the changed risks outlined in paragraphs 8.1 to 8.3 are included in Appendix A.
- 8.5 Tables 1 and 2 illustrate the current and proposed changes to the Top Risks.

**Table 1: Risk Matrix – Cabinet Risks June 2014**

<b>likelihood</b>	<b>3</b> high	<b>4</b>	<b>Waste &amp; Recycling Service (delete)</b> <b>7 Sustainable Development of the District</b>	<b>9 Local Plan</b>  <b>Northern Transfer Station &amp; Ancillary Facilities (new separate risk)</b>
	<b>2</b> medium	<b>2</b>	<b>Asset Management</b> <b>5 Office Accommodation</b>  <b>Churchgate and the surrounding area</b>	<b>Delivery of Outcomes from the Museum FSR</b>  <b>Comingled waste (new separate risk)</b> <b>8 Managing the Council's Finances (6) ↑</b>
	<b>1</b> low	<b>1</b>	<b>3</b>	<b>6</b>
		<b>1</b> Low	<b>2</b> Medium	<b>3</b> High
		<b>Impact</b>		

**Table 2 – SMT Top Risks June 2014**

likelihood	3 high	4	Replacement payroll system / payroll service (9)  7	9
	2 medium	2	Procurement, Tendering & Letting of Contracts 5 Workforce Planning Welfare Reform and Interest Rates	8
	1 low	1	3	6
		1 Low	2 Medium Impact	3 High

**9. ANNUAL REPORT**

- 9.1 An annual report summarising the risk management framework and changes made to the Top Risks in the financial year 2013/14 is attached as Appendix B. As business continuity is a key risk management tool, it is included as a section in this annual report for the first time.
- 9.2 The Risk and Opportunities Management Strategy stipulates the annual report should be referred to Cabinet and then to Full Council.

**10. LEGAL IMPLICATIONS**

- 10.1 No legal implications arise from Risk Management updates to the Finance, Audit and Risk Committee. The Committee’s Terms of Reference make it responsible for monitoring the effective development and operation of risk management and corporate governance in the Council.

**11. FINANCIAL IMPLICATIONS**

- 11.1 Any additional resources to complete risk management actions are included in the Corporate Business Planning process. There are no direct financial implications from this report.

**12. RISK IMPLICATIONS**

- 12.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council’s Top Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not

provide assurances to Cabinet that the Council's identified Top Risks are being managed.

### **13. EQUALITIES IMPLICATIONS**

- 13.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 13.3 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner. This then fulfils the council's obligations arising from the Public Sector Equality Duty.

### **14. SOCIAL VALUE IMPLICATIONS**

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at Paragraph 13.

### **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct Human Resource implications arising from this report but it should be noted that there is a separate Top Risk relating to Workforce Planning.

### **16. APPENDICES**

- 16.1 Appendix A – The Top Risks of Managing the Council's Finances, the Northern Transfer Station & Ancillary Facilities, Comingled Waste and the Replacement payroll system/service.
- 16.2 Appendix B – the Annual report on Risk Management 2013/14..

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## **18 BACKGROUND PAPERS**

- 18.1 The risks held on Covalent the Council's Performance and Risk Management IT system.
- 18.2 The Risk & Opportunities Management Strategy 2013-16. <http://www.north-herts.gov.uk/aksnherts/images/att6979.doc>